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TORONTO -- Ontario Tax Study 14, the latest in a series of staff papers prepared by the Taxation and Fiscal Policy Branch of the Ontario Treasury, was released today. The 28-page study outlines the development of the province's tax credit system.

Ontario was the first jurisdiction in North America to introduce a comprehensive tax-credit program based on ability-to-pay, beginning in 1972 with the property tax credit and expanding by 1975 to include a sales tax credit and a special credit for pensioners. The credit payments are financed by the provincial government and administered for the convenience of tax filers by the federal government through the income tax system. The tax credit system is designed to lessen the tax burden on those least able to pay, and is regarded as a milestone in tax planning.

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Some \$1.7 billion in credit payments has been distributed in the first five years, with benefits of \$180 million in the first year rising to \$420 million by 1976. During the five-year period the average credit increased from \$77 to \$143.

The study shows that by delivering relief according to the tax burden and income of the individual, the goal of reducing taxes for those with low incomes has been achieved. Four-fifths of the money goes to people with incomes under \$10,000. Many of those with lower incomes receive benefits which exceed their total income tax payable.

The bulk of tax relief is paid to persons with occupancy cost - that is, owners and renters. On average, owners of homes face larger property tax burdens than renters. However the Ontario tax study indicates that because the former's average income exceeds the latter's by over one-third, the ability-to-pay feature of Ontario's tax-credit system ensures that the average tax credit is only slightly larger for homeowners. By 1975, homeowners and renters had each received about \$600 million.

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As well, the sales tax and pensioner credits ensure that many persons incurring no shelter costs are still eligible for tax credits, and in fact received some \$50 million from 1973 to 1975.

Ontario, in recognizing the special circumstances facing pensioners, incorporated into the tax-credit system a pensioner credit which now provides an extra \$110 for each single person or married couple over 65 years of age. The study shows that the pensioner credit delivered some \$63 million in extra tax relief in 1975. As a group, pensioners claim 40 per cent of all benefits paid under the Ontario Tax Credit System. In 1975 the average tax credit entitlement for persons 65 years of age and over was upwards of \$265, with 95 per cent of all pensioner tax filers receiving credits. This relief offsets a substantial part of the property tax burden faced by elderly residents in Ontario.

Reductions in Tax Burdens through Tax Credits: Ontario's Experience is available without charge from the Ontario Government Bookstore, 880 Bay Street, Toronto.